

## Credit Opinion

27 June 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A <sub>g</sub>
Outlook	Stable

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## Huzhou City Investment Development Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Huzhou City Investment Development Group Co., Ltd.'s long-term credit rating at A<sub>g</sub>, with stable outlook.**

### Summary

The A<sub>g</sub> long-term credit rating of Huzhou City Investment Development Group Co., Ltd. ("HIDG" or the "Company") reflects Huzhou Municipal Government's very strong capacity to provide support, and the local government's extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Huzhou Municipal Government's capacity to provide support reflects Huzhou City's geographic advantage, with ongoing economic growth and good fiscal stability. However, the capacity to provide support is constrained by its relatively weak debt profile.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) major role in urban infrastructure construction and public services of Huzhou City; (2) high sustainability of local public activities; (3) good track record of receiving ongoing government payments; and (4) good access to funding and sufficient standby liquidity.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) high debt leverage with large capital expenditure pressure; and (3) moderate asset liquidity.

The stable outlook on HIDG's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its essential position in the development of Huzhou City.

## Rating Drivers

- Major role in urban infrastructure construction and public services of Huzhou City
- High sustainability of local public activities
- Medium exposure to commercial activities
- Good track record of receiving ongoing government payments
- High debt leverage but with well-managed debt structure
- Moderate asset liquidity
- Good access to funding and sufficient standby liquidity

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as improvement in debt leverage or assets quality.

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in its strategic significance; decrease in government payments; or increase in exposure to commercial activities.

## Key Indicators

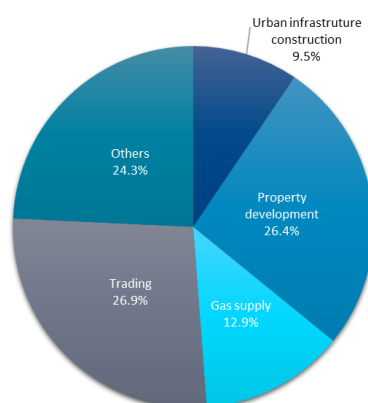
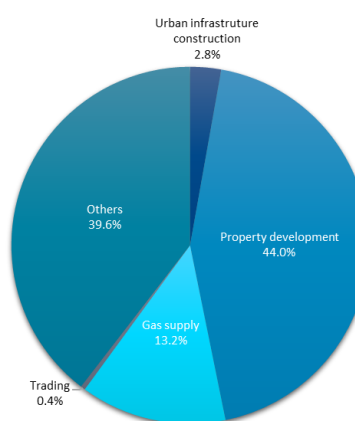
	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	132.0	144.6	158.0	161.8
Total Equity (RMB billion)	45.1	48.8	53.1	53.1
Total Revenue (RMB billion)	16.4	17.4	18.2	3.4
Total Debt/Total Capital (%)	61.1	62.1	65.0	66.0

All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

Founded in 1993, HIDG is the most important local infrastructure investment and financing companies ("LIIFC") as well as the largest state-owned operation platform in Huzhou City. The Company is mainly engaged in the urban infrastructure construction, water supply and gas supply services in Huzhou City. It has also participated in other commercial activities such as property development, trading, tourism, and property leasing business. The Company played a significant role in implementing the Huzhou Municipal Government's urban planning and development policies and have received strong financial and operational support from the Huzhou Municipal Government. As of 31 March 2025, the Company was wholly owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of Huzhou Municipal Government ("Huzhou SASAC").

**Exhibit 1. Revenue structure in 2024****Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

## Rating Considerations

### Government Capacity to Provide Support

We believe that Huzhou Municipal Government has a very strong capacity to provide support as reflected by its good geographic advantage, with ongoing economic growth and good fiscal stability.

Located in the northern part of Zhejiang Province, Huzhou City is the node city connecting the north and south areas of the Yangtze River Delta region. Huzhou City has four leading industries including information technology, high-end equipment, health and tourism. It has achieved a significant increase in gross regional product ("GRP") over the past three years. In 2024, Huzhou City recorded a GRP of RMB421.3 billion, increasing by 5.8% year-over-year ("YoY"). Due to the economic recovery and industry growth, Huzhou Municipal Government's general budgetary revenue increased from RMB38.7 billion in 2022 to RMB41.1 billion in 2024. It also has good fiscal stability, with tax income accounting for around 84.1% of general budgetary revenue for the past three years. Its fiscal balance remained at a moderate level, with general budgetary revenue to general budgetary expenditure ratio of 69.6% in 2024. However, Huzhou Municipal Government's debt burden was high with an outstanding direct government debt of RMB161.1 billion at end-2024, accounting for 38.2% of its GRP and 142.8% of its total fiscal revenue.

**Exhibit 3. Key Economic and Fiscal Indicators of Huzhou City**

	2022FY	2023FY	2024FY
GRP (RMB billion)	385.0	401.5	421.3
GRP Growth (%)	3.3	5.8	5.8
General Budgetary Revenue (RMB billion)	38.7	41.1	41.1
General Budgetary Expenditure (RMB billion)	60.2	60.7	59.1
Local Government Debt (RMB billion)	118.9	136.4	161.1

Source: Statistics Bureau of Huzhou City, CCXAP research

### Government Willingness to Provide Support

#### Major role in urban infrastructure construction and public services of Huzhou City

As the largest LIIFC by total assets in Huzhou City, HIDG continues to play a significant role in implementing the Huzhou Municipal Government's urban development plans, with diversified business structure and regional monopoly advantages. It is also the most primary public utility services provider in Huzhou City, with 95% market

shares of water supply and gas supply in the region. As a primary government-authorized infrastructure constructor in Huzhou City, the Company has undertaken a wide variety of public policy projects within Huzhou City, making great contributions to the urbanization of the region. The Company is also responsible for developing the Changdong Area, a 23.3-square-kilometer zone in the South Taihu New Area, that aligns with Huzhou Municipal Government's blueprint. This area focuses on developing three core industries: digital economy, biomedicine and green finance. Considering its strategic significance to the development of Huzhou City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

### **High sustainability of local public activities**

The Company's agency construction business is sustainable given considerable infrastructure construction projects under construction in the pipeline, but could also exert certain capital expenditure pressure to the Company.

The Company continues to undertake urban infrastructure construction projects including roads, bridges, buildings, parks, hospitals and medical institutions, drainage systems and other public facilities under agency construction model. As of 31 March 2025, the Company had completed 12 infrastructure construction projects, with a total investment of RMB10.6 billion, and had received project payments of RMB8.7 billion, indicating good payment collection progress. Also, the Company had 20 infrastructure construction projects under construction, with total estimated investment of RMB30.3 billion and uninvested amount of around RMB5.7 billion. The Company bears manageable capital expenditure pressure as the construction funds are financed by the government.

As a key force for implementing housing policies and improving the housing conditions for low-income households in Huzhou City, HIDG continues to engage in the construction and development of affordable housing in the region. Upon completion of construction, the Company will sell the affordable houses to targeted residents based on government-guided prices. As of 31 March 2025, the Company had completed 19 affordable housing projects, with a total investment of RMB16.4 billion, and had received project payments of RMB12.3 billion, indicating good payment collection progress. As of 31 March 2025, it had one affordable housing development projects under construction with total invested amount of RMB470 million. There is uncertainty in this business's sustainability.

The Company continues to participate in water supply business, involving tap water supply and wastewater treatment. As the sole water supplier in Huzhou City, the Company provides tap water to over one million residents in an area of approximately 1,570 square kilometers in Huzhou City via 5 water supply plants. The Company's total water supply capacity has improved to 1.1 million tons/day compared with the previous year due to the renovation and expansion of the water plant. Besides, the Company is also the sole wastewater treatment provider in Huzhou City, carrying out the treatment and disposal of the entire domestic wastewater and certain industrial wastewater in the region via 4 wastewater treatment plants. Due to its monopoly status, water supply business provides stable income and cash flow to the Company.

The Company is one of the prominent piped natural gas distributors in Huzhou City, offering the most extensive package of gas supply services in most of Wuxing District and the whole Nanxun District. The gas supply business is conducted through its subsidiaries including Huzhou Gas Co., Ltd. ("Huzhou Gas", stock code: 6661.HK). As the number of users expands, the Company's gas supply income has grown steadily in recent years. However, the profit margin of this business is highly susceptible to the fluctuation of natural gas prices. This business has provided a good supplement to the Company's revenue, which achieved a revenue of

RMB2.4 billion in 2024, accounting for 13.0% of its total revenue. We expect the gas supply services business will continue to provide stable income to the Company.

### **Medium exposure to commercial activities**

HIDG's commercial businesses mainly include property development, trading, and property leasing businesses. We consider the Company's exposure to commercial businesses to be medium, accounting for around 20% of its total assets. While the commercial activities generate supplemental income, they may also pose higher operational and business risks to the Company.

The Company is responsible for the construction of CBD projects in the Changdong Area of South Taihu New Area, using self-operation mode. As of 31 March 2025, it had 6 CBD projects under construction with total estimated investment of RMB14.5 billion and uninvested amount of around RMB8.4 billion. Furthermore, the Company also has 7 self-operated projects under construction, with total estimated investment of RMB10.7 billion and uninvested amount of around RMB5.1 billion. These projects have exerted large capital expenditure pressure to the Company. Nevertheless, we believe the Company will achieve financial balance through leasing and sale after completion of the self-operation projects. However, the self-operation projects generally have relatively long-term operation period and the revenue from self-operation projects bears more uncertainties.

The Company continues to develop commercial housing, targeting the mid to high-end retail market in Huzhou City. As of 31 March 2025, it had 17 commercial housing completed projects, with total investment of RMB12.2 billion and total sales of RMB8.2 billion. Besides, it had 14 commercial housing development projects under construction with total investment amount of RMB38.7 billion and uninvested amount of around RMB24.4 billion, exerting high capital expenditure pressure to the Company. However, commercial housing business is greatly susceptible to government planning and regional land market situation.

HIDG also continues to engage in property leasing and management business, including office buildings and commercial plazas, providing supplementary income to the Company and achieved revenue of RMB552.9 million in 2024 compared with RMB482.5 million in 2023. As of 31 March 2025, the Company had 5 leasable properties with total leasable area of 179.2 thousand square meters and occupancy rate over 90%.

The Company is engaged in trade business, with products including raw timber and steel. The trade business accounts for 26.9% of the Company's total revenue but contributes less than 1% to the gross profit. The business has a relatively diversified customer base as the sales from the top five customers accounted for 30.1% of the total sales in 2024, and its upstream suppliers as the top five suppliers accounted for 49.1% of the total procurement in 2024. Besides, the Company started its concrete sale business in 2020. The sales area mainly includes Huzhou urban area, Wuxing District, South Taihu New Area and Nanxun District. Its sales income increased from RMB839.3 million in 2023 to RMB890.2 million in 2024.

Due to the injection of Huzhou Leibo Human Resources Co., Ltd, HIDG started to engage in labor service since 2023. The Company provides labor matching service in local area and achieved revenue of RMB448.3 million in 2024. Besides, the Company's subsidiary, Huzhou Cultural Tourism Operation Group Co., Ltd., was established in 2023 and received the transfer of relevant cultural tourism assets within the region, including scenic spots, venues, and cultural districts.

### **Good track record of receiving ongoing government payments**

As a significant state-owned enterprise wholly owned by and under the direct supervision of the Huzhou SASAC, HIDG has a proven track record of receiving government support in the form of capital injection, asset transfers,

and financial subsidies. Since establishment, the Company has regularly received capital injection from the government. In 2023, the Company has received the equity of Huzhou City Culture and Tourism Operation Group Co., Ltd and Huzhou Leibo Human Resources Service Co., Ltd from the local government, increasing capital reserve by approximately RMB3.0 billion and also broadening its business scope. In 2024, the government has also provided special funds, equity assets and supporting project capital of totally RMB1.3 billion to the Company to support its operation and project construction. Besides, the Company received government subsidies included interest subsidies, totally of RMB1.1 billion from 2023 to 2024. Given its essential position in Huzhou City, we expect the local government will continue to support the Company in the future.

### **High debt leverage but with well-managed debt structure**

HIDG has an increasing debt burden and a high debt leverage along with the expansion in business scale and continuous investment in construction projects. The Company's adjusted total debt increased from RMB80.0 billion at end-2023 to RMB97.3 billion as of 31 March 2025, with a high total capitalization ratio of 66.0%. We expect the Company's debt leverage to remain at a high level, given its large capital expenditure needs for its extensive infrastructure construction projects in the pipeline. Nevertheless, the Company has good debt structure, as reflected by its the short-term debt to total debt ratio of 13.5% as of 31 March 2025.

### **Moderate asset quality**

The Company's asset liquidity is weak, which may undermine its financing flexibility. The Company's total asset mainly consists of inventories and investment properties, both with weak liquidity. As of 31 March 2025, the Company's inventories amounted to RMB93.2 billion, accounting for 57.6% of total assets, and mainly consisted of construction costs caused by infrastructure construction and property projects. Nevertheless, it has investment properties with a value of RMB18.7 billion for leasing, accounting for 11.5% of total assets, providing stable supplementary income to the Company. In addition, the Company has water and gas supply assets, which provide stable cash flow to the Company and further enhances the profitability of its assets.

### **Good access to funding and sufficient standby liquidity**

HIDG has good access to funding from banks and capital markets. The Company has sufficient standby liquidity. As of 31 March 2025, around 37.3% of its debt financing was provided by bank loans and it had obtained total credit facilities of RMB76.1 billion from diversified domestic policy banks and commercial banks, with available amount of RMB40.6 billion. The Company also has strong market recognition in debt capital markets. As of 31 May 2025, the Company had an outstanding onshore debt amount of RMB44.4 billion, including various bond types such as corporate bonds, MTNs, SCPs, and PPNs, and outstanding offshore debt amount of USD800.0 million. The listing of Huzhou Gas on the Hong Kong Exchange has also broadened the Company's equity financing channels. However, the large amount of outstanding bonds may bring certain refinancing pressure to the Company as it is susceptible to changes in the capital market. The Company has low reliance on non-standard financing, accounting for less than 10% to total debt.

## **ESG Considerations**

HIDG assumes environmental risks through its infrastructure construction projects as well as water and gas provision. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

In terms of social awareness, HIDG has played a crucial role in the social welfare of Huzhou City by involving the construction of ecological restoration and greening system project in Huzhou City.

In terms of corporate governance, HIDG's governance considerations are also material as the Company is subject to local government oversight and reporting requirements, reflecting its public-policy role and status as a government-owned entity.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

## Appendix

### Exhibit 4. Peer Comparison as of 2025Q1

	Huzhou City Investment Development Group Co., Ltd.	Huzhou Communications Investment Group Co Ltd.
Long-Term Credit Rating	A <sub>g</sub>	A <sub>g</sub>
Shareholder	Huzhou SASAC (100%)	Huzhou SASAC (90%); Zhejiang Financial Development Co., Ltd (10%)
Positioning	Responsible for urban infrastructure construction, water supply and gas supply services in Huzhou City.	Responsible for multiple transportation related projects including bus operations, high-speed rail construction investment and energy sales.
Total Asset (RMB billion)	161.8	101.8
Total Equity (RMB billion)	53.1	41.6
Total Revenue (RMB billion)	3.4	2.2
Total Debt/Total Capital (%)	66.0	49.9

All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research



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